

13 November 2019

ASX code: BOL

Boom Logistics Limited Market Update

Boom Logistics Limited (ASX:BOL) today provided a market update for FY20 based on current expectations.

FY20 results guidance

The company has experienced material changes to a significant wind farm contract, slower than expected recovery in mining maintenance work in New South Wales, and project delays and a reduction in the scale of shutdowns in Western Australia. As a consequence, the company changes its market guidance for trading earnings before interest, taxation, depreciation and amortisation (EBITDA) for FY20 from \$24-\$28 million¹, and currently expects trading EBITDA of approximately \$20 million¹ for FY20.

Operational review

Energy and utilities

Expectations for the wind farm business have been impacted by delays and change to the scope of a contract in Tasmania. Unseasonably heavy snow and adverse weather conditions have contributed to schedule delays, lower productivity and increased project costs. As an extension of time could not be agreed, in order to complete the project in December 2019 work has been shared with another contractor.

Queensland wind farm operations, however, are progressing well, and Boom has been awarded additional work at Coopers Gap through to March 2020 and further wind farm maintenance works with other existing customers. We remain focused on the renewables sector for growth and maintain a strong pipeline of potential work.

Mining maintenance

Mining maintenance in Queensland continues to be strong and is above expectations. Boom is also on track to return to the Moranbah region in the second half and re-establish business and revenue from an area where the company has previously supported mining clients.

In NSW, clients have reduced maintenance to compensate for lower coal export prices. We are continuing to rebuild relationships in the Hunter Valley after last year's industrial

¹ Not adjusted for the impact of AASB16 *Leases* Accounting Standard

dispute. We are also negotiating with new mining maintenance clients. New work is expected to begin soon, enabling us to make greater use of our assets in the area.

In Western Australia, large clients have reduced the scale of shutdown programs compared to previous periods. We have recently strengthened our management team, appointing a new general manager with a view to broaden our customer base, and anticipate further opportunities in north-west WA. Although commencement of construction projects in the north-west has been delayed, we expect an uplift in activity in the second half.

Infrastructure

The company has a positive exposure to the burgeoning infrastructure sector on the east coast of Australia. One new project is our work for Albion Park Rail bypass designer and builder Fulton Hogan, which began in October 2019. We will provide lifting services for the construction of 13 bridges over the next two years for the bypass, which will provide an alternate route to the Princes Highway.

Industrial services and readi

We have appointed a new general manager to lead our *readi* labour hire business, and business development activities throughout Australia have already received a positive response. We continue to focus on the oil and gas, mining and infrastructure sectors where we have growth opportunities.

Telecommunications and energy

Our travel towers business, which focuses on the telecommunications and energy markets, has been restructured successfully. A rationalised fleet and reduced depot overhead have contributed to increased revenue and profit.

The telco sector opportunity is growing, driven by 5G network and maintenance upgrades and our existing work is expected to continue for the remainder of the year. Electrical line stringing works, where Boom strings transmission lines across poles to connect power generation to the energy grid, are increasing. Our business with telco and energy contractors is well positioned to benefit from further growth over the next few years.

Outlook

Tony Spassopoulos, Boom Logistics managing director, said: "While this adjustment is disappointing, it does not reflect the benefits of Boom's recent restructure, the quality of our business model, or the strength of our market positions throughout Australia. Increased use of a rental asset model, which has reduced capital expenditure, has provided more flexible capital management. The company has low net debt and maintains a strong balance sheet.

"Over the past year, we have rebuilt and strengthened our team to focus on business development and take advantage of growth opportunities across a broad range of markets.

“New rented assets have arrived at Olympic Dam, which will release our fleet to service the growing mining maintenance market in Queensland. We also have growth opportunities in the north west WA construction and infrastructure markets.

“With our low capital rental model, in the second half we will add additional assets to service new infrastructure and maintenance services work in Melbourne.

“With further growth in *readi*, ongoing improvement in our restructured travel tower business and reduced costs in our overhead support structures, we anticipate that second half revenue and EBITDA will exceed that of the first half.”

Share buyback

The company confirms that the on-market share buyback announced on 21 November 2018 of up to 10% of the issued share capital will continue through to the company’s 2019 AGM. At 13 November 2019, 38,952,175 shares had been purchased for a consideration of \$6,457,027. The company can buy back up to a further 7,047,825 shares. The board believes the buyback is beneficial for shareholders, and will consider further capital management opportunities.

Further information:

Tony Spassopoulos
Managing Director & Chief Executive Officer
+613 9207 2500

Tim Rogers
Chief Financial Officer
+613 9207 2500

Media

Ashley Rambukwella, Financial & Corporate Relations (FCR)
+61 2 8264 1000
a.rambukwella@fcr.com.au

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